

Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

SAL-01 PA-03 PRS-01 USIA-12 L-03 H-02 AGR-20 ABF-01

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FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 7030

UNCLAS BOGOTA 3020

E. O. 11652: N/A

TAGS: EFIN, CO

SUBJECT: FINANCIAL INDICATORS - MARCH

REF: (A) BOGOTA 2106

(B) BOGOTA A-62

1. SUMMARY - COLOMBIA ENJOYED CONTINUED BALANCE OF PAYMENTS SURPLUS IN FIRST QTR. 1973 AS NET FOREIGN RESERVES IMPROVED US \$87 MILLION TO 632 END MAR. MONETARY OPERATIONS OF BOR SIGNIFICANTLY CONTRACTIONARY INCLUDING NET REPAYMENTS BY GOC AND COFFEE FEDERATION AND INCREASED LEGAL RESERVE DEPOSITS OF BANKING SYSTEM. MONEY SUPPLY EXPANDED 2.4 PERCENT IN JNA.-MAR. COST OF LIVING INCREASED SHARPLY BY APPROXIMATELY 6.5 PERCENT IN FIRST QTR. AND INFLATION ELICITED PRIORITY ATTENTION OF GOC AUTHORITIES. MONETARY EXPANSION FOURTH QUARTER 1972 AND FOOD SHORTAGES SEEN AS MAIN CAUSES OF PRICE INCREASES. BOGOTA STOCK MARKET CONTINUED TO REFLECT SIGNIFICANT RECOVERY FROM DECLINES RECORDED IN 1972. GOC FISCAL POSITION FAVORABLE THRU FEB AS BORROWING FROM FOREIGN COMMERCIAL SOURCES HELPED TO FINANCE INVESTMENT EXPENDITURES AND TO REDUCE GOVT DEBT TO CENTRAL BANK. END SUMMARY.

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2. FOREIGN EXCHANGE (MILLIONS \$ US) - ACCORDING TO PRELIMINARY DATA FOREIGN RESERVES INCREASED 28 IN MARCH AND CUMULATIVE 87 IN FIRST QTR TO 479 GROSS AND 432 NET ON MAR 31. IMPROVEMENT ATTRIBUTABLE TO HIGH COFFEE PRICES. CONTINUING RAPID GROWTH OF MINOR EXPORTS, AND AUTONOMOUS CAPITAL INFLOW RELATED TO GOC BORROWING ABROAD. LATTER AMOUNTED TO 45 IN JAN AND FEB AND CONSISTED OF JAPANESE COMMERCIAL BANK LOAN FOR 25 AND SALE OF GOC BONDS FOR 20 IN INTERNATIONAL CAPITAL MARKETS (REF. B). DEPRECIATION OF PESO RELATIVE TO \$ US SLOWED IN MARCH TO 0.3 PERCENT. MODERATION DEPRECIATION RATE CONSISTENT WITH RECENTLY ANNOUNCED MINFIN INTENTION BASED ON SATISFACTORY RESERVE POSITION AND EXPORT GROWTH, EXPECTED BENEFICIAL EFFECTS ON EXPORTS OF DOLLAR AND PESO DEVALUATION WITH RESPECT TO EUROPEAN AND JAPANESE CURRENCIES, AND DESIRE TO REDUCE INCREASES IN IMPORT PRICES. CUMULATIVE DEPRECIATION PESO SELLING RATE JAN- MAR 1.7 PERCENT TO 23.231 PESOS PER \$ US END MARCH.

3. MONEY AND CREDIT (PESOS MILLIONS) - BOR NET DOMESTIC CREDIT CONTINUED SHPART DECLINE TO NEGATIVE 1,435 MAR 31. NEARLY 4,900 CUMULATIVE DECLINE IN FIRST QUARTERS WAS ACCOUNTED FOR BY NET REPAYMENT 1,021 TO BOR BY GOC AND OFFICIAL ENTITIES, SEASONAL NET REPAYMENT TO BOR 573 BY COFFEE FEDERATION, CONTRACTION 2,431 IN COMMERCIAL BANKS' POSITION WITH BOR OWING LARGELY TO INCREASED RESERVE DEPOSITS, AND REDUCTION 886 OF NET BOR CREDIT OUSTANDING TO DEVELOPMENT AND INVESTMENT INSTITUTIONS. CONTRACTIONARY MONETARY POLICY DESIGNED TO OFFSET EXPANSION ASSOCIATED WITH FOREIGN EXCHANGE INFLOW. MONEY SUPPLY INCREASED 0.8 PERCENT IN MAR AND CUMULATIVE 2.4 PERCENT JAN- MAR TO 30,545 MAR 31.

4. COST OF LIVING - INCREASE IN CONSUMER PRICES IN MAR WAS WORST SINGLE MONTH IN SEVERAL YEARS. WORKERS INDEX ROSE 3.6 PERCENT TO 648.0 AND EMPLOYEES INDEX INCREASED 3.0 PERCENT TO 628.8 AT END MONTH. CUMULATIVE COST OF LIVING INCREASES DURING DURING FIRST QUARTER WERE 6.7 PERCENT BLUE COLLAR AND 6.4 PERCENT WHITE COLLAR. COMPARATIVE INCREASES IN SAME PERIOD 1972 WERE CUMULATIVE 3.0 PERCENT AND 3.7 PERCENT, RESPECTIVELY. HIGHER RATE OF PRICE INCREASES IN 1973 ATTRIBUTABLE TO RAPID MONETARY EXPANSION IN LATE 1972 AND DEVELOPING SHORTAGES CERTAIN FOODSTUFFS OWING TO UNUSUALLY DRY WEATHER. GOC HAS EXPLICITLY IDENTIFIED INFLATION AS NATION' S MOST SERIOUS CURRENT ECONOMIC PROBLEM.

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5. STOCK MARKET - ACTIVITY BOGOTA EXCHANGE DECLINED SLIGHTLY

TO 195.4 MILLION PESOS IN MAR. THIS VALUE OF TOTAL TRANSACTION STILL WELL ABOVE 1972 MONTHLY AVERAGE OF 119 MILLIONS PESOS. PRICE INDEX ROSE ABOVE 100.0 FOR FIRST TIME SINCE JAN 1972 TO 103.2 END MAR. STOCK MARKET REVIVAL PROBABLY DUE TO ENCOURAGEMENT GIVEN TO INVESTORS AND INDUSTRY BY NAVORABLY 1972 ANNUAL REPORTS AND RECENT CONGRESSIONAL APPROVAL TAX INCENTIVIES BILL INVOLVING INCREASED DEPRECIATION DEDUCTIONS AND INCREASED TAX EXEMPTION FOR PROFITS ON COMMON STOCK.

6. FISCAL (MILLIONS PESOS) - GOC CASH FLOW DATA THRU FEB. ONLY SHOW 2 MONTH CUMULATIVE REVENUES 2,598, CURRENT EXPENDITURES 1,283, INVESTMENT EXPENDITURES 1,148, AND BALANCE SURPLUS 167. FOREIGN BORROWING RESULTED IN NET INFLOW 501 AND NET DOMIESTIC BORROWING IN NEGATIVE 467. OVERALL BALANCE AFTER ALL REVENUES, EXPENDITURES, FINANCING, AND DEBT SERVICE WAS SURPLUS 201. FAVORABLE POSTION LARGELY OWING TO GOC BORROWING ABROAD (PAR. 2). GROSS FORING FINANCING 777 SHOWN IN JAN- FEB CASH FLOW DATA WAS EQUIVALENT TO 68 PERCENT OF TOTAL INVESTMENT EXPENDITUTURES.

7. WHOLESALE PRICES DATA FOR 1973 STILL NOT AVAILABLE BECAUSE OF REVISION OF INDEX.
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*** Current Classification *** UNCLASSIFIED

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